

VALLEY OF THE MOON WATER DISTRICT
REGULAR MEETING MINUTES
June 1, 2010

A regular meeting of the Board of Directors of the Valley of the Moon Water District was held on Tuesday, June 1, 2010, in the Board Chambers of the District Office at 19039 Bay Street, El Verano, California.

1. CALL TO ORDER - PLEDGE OF ALLEGIANCE - ROLL CALL

President Russ Townsend called the meeting to order at 6:30 P.M. and led the Pledge of Allegiance.

Roll Call by **Deputy Secretary Walk** noted the following present:

Directors:	Ron Prushko Ed Kenny Mark Bramfitt Russ Townsend
Directors Excused:	Al Bandur
General Manager:	Krishna Kumar
District Personnel:	Paul Gradolph, Operations and Maintenance Supervisor Shari Walk, Office Supervisor
Public:	Mark Heneveld, Heidi Danieli & Armando Zimmerman

2. PUBLIC COMMENTS

There were no public comments.

3. CONSENT CALENDAR

- A.** Minutes of the May 4, 2010 Board of Directors Meeting.
- B.** Amendment No. 1 to the Term Agreement with MCC Control Systems, LP for SCADA Maintenance Services.

On motion by **Director Kenny** and carried by a voice vote to adopt the Consent Calendar, as shown, noting **Director Bramfitt's** abstention on item 3.A.

The Board of Directors continued on with the agenda pending the 6:45 P.M. time period to allow the opening of the Public Hearing scheduled for that time.

5. OPERATIONAL REPORTS

A. Monthly Financial Reports & Disbursements.

On motion by **Director Kenny**, seconded by **Director Prushko** and carried unanimously by a roll call vote to approve the monthly Financial Reports & Disbursements for the month of April 2010 in the amount of \$201,804.90.

B. Current District projects and significant O & M issues.

Operations and Maintenance Supervisor Paul Gradolph presented the summary review of current District projects and significant operations and maintenance issues for May 2010.

Project #2926 – Boyes Springs Main Replacement and Trinity Interconnection: **Mr. Gradolph** reported that the project included the replacement of small diameter steel water mains on Manzanita Road, Academy Lane, Fairview Lane, and Mulford Lane and a new eight-inch water main connecting the Trinity Oaks zone to the Glen Ellen zone. He said a pre-construction meeting was held on May 26th. The project was scheduled to begin on June 7th starting with the Trinity/Glen Ellen Interconnection to accommodate the Dunbar school schedule. 6 new fire hydrants will be installed as part of the project, which the Glen Ellen Fire Department will pay for.

Director Bramfitt commented that he wasn't fully aware of the positive impact of the Trinity/Glen Ellen Interconnection project, and how important it was to the people in that neighborhood. He asked staff to take every opportunity to publicize it both to the folks in Trinity Oaks, and to the press at large.

Director Prushko suggested including a note in the water bills to the customers in that area, letting them know that the District will be providing them with storage and water during emergencies, that they won't be without water if the Sonoma Aqueduct goes down. **Mr. Gradolph** said letters had already been sent to all the customers in the area notifying them of the project.

Mr. Gradolph reported on the latest meter reading technology that staff had been looking into. Currently the District had one meter reader who went out to each meter every other month (6 times a year) to read the meter. He said that the District had been looking into two different technologies – automated meter reading (AMR) and advanced metering infrastructure (AMI). With AMR, a new register with a radio will have to be placed on the water meter, and a reading device located in a truck picking up the meter readings. The District's nearly 7,000 meters could be read in about 3 days using this technology. With the AMI technology, the reading from the meters came into a main control panel located in the District office at four hour intervals, eliminating the drive-by aspect completely. An AMI propagation study was completed by the District, which showed that placing an antenna at the Bolli tank site would get readings from a majority of the District meters. The added advantage of AMI was its leak detection capabilities.

In response to **Director Kenny**, **Mr. Gradolph** stated that he couldn't estimate how much water saving would occur due to improved leak detection capabilities using the AMI technology.

Director Bramfitt pointed out the supplemental benefits to adopting this technology, perhaps there were savings in employee costs, safety in not driving around throughout the territory, pulling covers off meters and straining backs, and the opportunity to bill on a monthly basis rather than a bi-monthly basis, if that proved to be something the District wanted to consider, and improved leak detection.

In response to **Director Prushko**, **Mr. Gradolph** said this wouldn't be a fail proof system; the District would

still need to repair the system and investigate high water usages. The duties of the meter reader could be modified to meet the new needs.

President Townsend confirmed with Mr. Gradolph that the meter reader would still need to make field visits.

Given the 6:45 P.M. hour, the Board of Directors continued with the scheduled public hearing.

4. PUBLIC HEARING

A. Time Set 6:45 P.M. Proposed Water Rate Increase, Effective July 1, 2010.

President Townsend opened the public hearing for the proposed water rate increase effective July 1, 2010.

When asked, **Mr. Kumar** noted that there were two protest letters received prior to the meeting agenda, and one since, for a total of three protest letters in response to approximately 6,800 notices sent to the District's customers notifying them of the proposed rate increase.

President Townsend read one of the protest letters out loud, and **Deputy Secretary Walk** noted the other two were similar in content.

In response to **Armando Zimmerman**, a District rate payer who was present at the meeting, **President Townsend** said both the service charge and water charge were proposed to be increased by 7%.

Mr. Zimmerman commented that he understood and could justify the service charge increase, since the District still had the system to maintain whether he used 1 gallon or 200 gallons of water, but stated that raising rates would be a disincentive to saving water.

President Townsend clarified that the increase in wholesale rate of water purchased from the Sonoma County Water Agency (SCWA) had to be passed through to the ratepayers. He added that the District really took a close look at the rate base and made sure that the proposed rate increases are not any more than what was necessary.

Director Prushko mentioned to **Mr. Zimmerman**, that SCWA had raised the wholesale water rates by approximately 40% over the last three years. In order to keep the price to the District's 6,800 hookups at a reasonable rate, the District had been augmenting its supply by increased use of local groundwater. He stated the central issue as having no real say in the matters of SCWA. In several parts of the state, the retail water districts had voting powers on the decisions of their wholesale water suppliers. The District was working hard to bring such a change to the governance of SCWA.

Mr. Zimmerman inquired if there was any leverage for water districts to work together through the respective supervisors to resolve the outstanding issues.

Director Bramfitt stated that he sat on the Water Advisory Committee, representing the Board, which comprised of elected representatives of the nine agencies that got water from SCWA and that body had certainly made their strenuous opinions known regarding the rate increases. He had also met directly with **Supervisor Brown** on a number of occasions around water matters in general and around governance of the SCWA and the appropriate level of rate increases. He noted that the current rate increase had more to do with the reduction in water use than anything else. He emphasized that the District was running a very tight ship, moving off some capital improvement projects into the future that would have been otherwise done, to

keep rate increases to a moderate level. He couldn't say that as wholeheartedly around the SCWA, but he had clearly told SCWA representatives that the District expected them to run a very tight ship, similar to the one seen here.

Director Kenny stated that **Director Bramfitt** was probably the most concerned representative on the Water Advisory Committee, and as such was really looking out for the ratepayers of this District as well as other entities.

Director Bramfitt stated that the District, along with the City of Sonoma to the extent possible, had taken several initiatives to develop local resources and worked with the District's customers on conservation. He noted that over the last ten years that he had been on the Board, the Board had taken care of business with regards to the District's physical infrastructure in a fashion that was not the case 10 years prior, and he also credited the staff for that progress. The new reservoir, the seismic retrofits, the pipeline replacements, he thought the District had done a phenomenal job. He thanked **Mr. Zimmerman** for coming and making his comments.

President Townsend too thanked **Mr. Zimmerman** for his time and closed the public hearing at 7:02 pm.

C. Water Source Report

Director Bramfitt noted that the District received 20% of its water for the month of April from local supplies, and not from SCWA, and that's the way the District controlled its budget issues.

Director Prushko pointed out to Mr. Zimmerman that the local supply was far less costly than imported water. He also mentioned that when he came to this Board 10 years ago, the District was paying \$273 an acre foot of imported water, and as of this year the rate was \$674 an acre foot.

6. PRESIDENT'S AND DIRECTORS' REPORTS OR COMMENTS

President Townsend commented on the meeting he, **Director Bramfitt**, and General Manager Kumar attended with Paul Kelley (SCWA Director and WAC Liaison), and Grant Davis (Interim General Manager of SCWA) on May 24th. He felt the SCWA did not seem overly concerned about the District's issues, but they did seem to indicate that they would consider them. The major item that the District was hoping to get a conscious audience on was the Restructured Agreement that set forth the manner in which all the different contractors shared in expenses for replacing the aqueduct systems or constructing parallel systems. They acknowledged that it was a concern, but really didn't get into the details.

President Townsend stated that Mr. Kumar had prepared a letter to Mr. Kelley, with a copy to Grant Davis, which will go out once it had been reviewed. He hoped that the follow up letter will remind them that the District wanted to see some action on their part. His concern was that there was no way the Restructured Agreement can be revisited and an amendment to that agreement obtained for some time to come. The other approach was to ask SCWA if they could take these in parts and at least address the capital sub-charges to these parallel pipelines and other system improvements that right now are sort of unfairly assessed to the different districts. He didn't hold out a lot of hope, but thought that the letter will push them a little bit.

Director Bramfitt complimented Paul Kelley, SCWA Director and Supervisor to have called these meetings with each of the water contractors. It was a valiant effort and deserved recognition in that they were prepared to listen. The District went in with 8 issues to discuss, the primary one being the issue of the Sonoma Aqueduct of which a portion was being paid for by the City of Sonoma and Valley of the Moon

Water District, and yet it was being used to a large extent by the City of Santa Rosa who was not paying for that section of the pipeline. The primary task was to re-open the Restructured Agreement to take care of that issue so that it was equitable and that the City of Santa Rosa was paying proportionately for the use of that section of the pipeline. The District representatives talked about a number of other issues, SCWA's involvement with energy and a variety of things. It was a one hour meeting and they took a lot of note. He echoed **President Townsend's** remarks and felt they were more defensive than they needed to be. He indicated his willingness and support to continue the dialogue and try and work through these issues.

7. GENERAL MANAGER'S AND DISTRICT COUNSEL'S REPORTS

Mr. Kumar reported the following:

The State Water Resources Control Board (State Board) recently issued an Order in response to the Temporary Urgency Change Petition filed by SCWA requesting for reduced flow levels in the Russian River. This was one of the requirements of the Biological Opinion (BO). The State board, while agreeing to the requested reduced flows in the River, had a long list of conditions for the Water Agency to comply with, some of which directly affected the District. However, the good news was that there was no restriction on the Russian River diversions as was the case in the earlier orders issued in previous years, understandably so, because of the current high flow levels in the river, and the near full storage in both Lake Mendocino and Lake Sonoma. The water conservation requirements of the Order can be achieved without a huge impact on the District's customers or staff.

8. OLD/NEW BUSINESS

A. Fiscal Year 2010-11 Final Budget & Water Rates.

Adopt, by roll call vote, the following Resolutions:

1. No. 100601, overruling objections and protests, adopting a Report on Charges for Water Services and Confirming Such Charges for Fiscal Year 2010-11, and amending District Regulations 8-2.19 and 8-2.21 to reflect such charges.
2. No. 100602, adopting the Fiscal Year 2010-11 Operations and Maintenance Budget and the Annual Statement of Investment Policy.
3. No. 100603, adopting the Five-Year Capital Improvement Program for Fiscal Years 2010-11 through 2014-15 and approving funds for Fiscal Year 2010-11 Capital Improvement Program Budget.

President Townsend introduced the item.

Director Bramfitt stated he wanted to acknowledge the three protest letters received by mail as well as the comments from **Mr. Zimmerman**. He noted that the District was absolutely charting the proper course by not transferring as much money as in the years past into the District's CIP budget this year, and that helped the District to restrict the rate increase to 7%, instead of 9% or even a higher increase. This was the right time to keep the CIP funding on an even keel, given the need to keep the local economy alive. At the same time, the District was not proposing to de-fund capital improvements but was modestly decreasing it. He thought that the staff had charted the right course.

Director Prushko clarified with Mr. Kumar that the proposed transfer to the CIP was \$250,000. He

mentioned that in the years past, it was as high as \$750,000. Mr. Kumar stated that, notwithstanding the reduced transfer, staff was still proposing a capital budget of \$1.5 million for 2010/11 due to carried over fund balance. In that sense, the District's capital improvement program for the upcoming fiscal year had not diminished.

In response to **Director Prushko**, Mr. Gradolph said that the District was really down to the end of the capital improvement program that had been identified in the Master Water Plan prepared by Brelje and Race 20 years ago. The District only had a couple of small diameter mains left to be replaced. Reflecting the amount of capital improvement work undertaken by the District so far, the District's leak experience had gone down considerably over the last decade or so from 10-12 leaks a month to 1 or 2 a month.

In response to **President Townsend**, Mr. Gradolph stated that the estimated monthly loss on account of leaks had reduced from 1.5 million gallons to approximately 250,000 gallons a month.

In response to **Director Kenny**, Mr. Gradolph clarified that when replacing the service laterals to an existing home, typically, a 3/4" line would be upgraded to a 1" line. However, if the existing meter was a 5/8" one, it will not be upgraded. Such an upgrade would result in the meter not picking up the low flows resulting in revenue loss.

Motion by **Director Bramfitt** seconded by **Director Kenny** and carried unanimously by roll call vote to adopt Resolution No. 100601, overruling objections and protests, adopting a Report on Charges for Water Services and Confirming Such Charges for Fiscal Year 2010-11, and amending District Regulations 8-2.19 and 8-2.21 to reflect such charges; to adopt Resolution No. 100602, adopting the Fiscal Year 2010-11 Operations and Maintenance Budget and the Annual Statement of Investment Policy; to adopt Resolution No. 100603, adopting the Five-Year Capital Improvement Program for Fiscal Years 2010-11 through 2014-15 and approving funds for Fiscal Year 2010-11 Capital Improvement Program Budget.

9. CLOSED SESSION

There was no Closed Session.

10. REQUEST FOR FUTURE AGENDA ITEMS

There was no request for future agenda items.

11. ADJOURNMENT

Motion by **Director Bramfitt**, seconded by **Director Kenny**, and carried unanimously to adjourn the meeting at 7:23 P.M. The next scheduled meeting is a regular meeting on July 6, 2010 at 6:30 P.M.

Shari Walk, Deputy Board Secretary

Russell Townsend, Board President